



**Office of Health Policy and Program Support**

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August 19, 2008

**AGENDA ITEM 4c**

**TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Proposed Contract Extension for the Health Care Decision Support System (HCDSS) Vendor
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends that the Board extend the current Thomson Reuters HCDSS contract for an additional six months to December 31, 2009, to provide continued operations during the re-procurement process.

**IV. ANALYSIS:**

Background

In September 2002, CalPERS contracted with Medstat to build and administer its Health Care Decision Support System (HCDSS). On December 13, 2005, the Board approved a two-year extension of the contract from June 30, 2007 to June 30, 2009. During this period, Thomson (parent company of Medstat) merged with Reuters.

CalPERS issued a Request for Proposal (RFP) for the HCDSS on April 18, 2007, to award the next three-year contract. The RFP specified enhancements to the HCDSS capabilities. CalPERS reviewed bids and issued its Intent to Award on November 6, 2007. The losing bidder filed a protest with the CalPERS General Counsel. On March 3, 2008, CalPERS General Counsel upheld the protest.

Need for New RFP

During the protest period, CalPERS identified critical new business and technical requirements for the HCDSS as follows:

- AB1296 mandates, which require additional HCDSS interfaces and reports

- Medicare Part D requirements, which include new data exchanges between Health Carriers and the HCDSS Vendor
- Technical middleware changes, to allow eligibility file and Medicare Part D data transfers between CalPERS and the HCDSS Vendor
- New security policies, developed by the CalPERS Information Security Office (ISO) which cover data transmission policies and procedures
- Web-based solution security policies, which CalPERS ISO and Information Technology staff will develop.
- Provisions for non claims-based data

As a result of the protest and the above developments, CalPERS will develop and issue a new RFP. CalPERS will need a six month extension of the current HCDSS contract to allow time to include these new business and technical requirements, as well as, address protest related issues in the new RFP.

#### Support for six-month extension

The California Department of General Services (DGS) State Contracting Manual specifies the timeframe for a non-competitively bid contract extension when a protest delays a new contract award. As summarized in section 5.80(B)(2)(b) of the State Contracting Manual, extensions of existing contracts, under the same terms and the same or lower rates, are not subject to competitive bidding requirements where a protest delays the award of a new contract. The Contracting Manual provides:

These amendments should only last during the period the protest or legal action is pending until a new contract can be executed, but in no case shall the amendment extend beyond six months.

Staff recommends following the guidance provided by DGS and extending the Thomson Reuters contract for six months beyond the current expiration date. Extending the contract serves the interests of CalPERS members by providing time to produce an enhanced RFP and ensuring the HCDSS will continue to contain timely and accurate data.

#### **V. STRATEGIC PLAN:**

This item supports Health Goal X: "Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers."

**VII. RESULTS/COSTS:**

Thomson Reuters will extend the HCDSS contract at the current monthly amount.

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